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April 14, 1970

TO: Frederick P. Haas, Esq.
Cyril F. Hetsko, Esq.
H. Henry Ramm, Esq.
Paul D. Smith, Esq.
Addison Y. Yeaman, Esq.

RE: Work Group Report
on "In-House"
Retrieval System

Gentlemen:

A working group of industry experts has now completed those studies which are deemed essential to form an educated opinion of the most likely organizational and production structure of an "In-House" Information Storage and Retrieval System: the staffing requirements of such a system: the estimated annual operating cost during the first year of an "In-House" operation: the non-recurring capital cost that would be required in order to establish an "In-House" System: and finally, estimates of how long it would take to reach a fully operational status.

Fully operational status is defined as a system which would provide all of the services now provided by Information Interscience, Inc. and process incoming documents at the 1969-70 contractually defined rates.

As a result of the investigations of the work group of industry loan consultants, it is now possible to report that an "In-House" Retrieval System would require a total staff of 40 professional and non-professional employees (See "Information Storage and Retrieval System"- Proposed Organization for Document Processing. ").

The working group estimates that the first year operational costs of an "In-House" Retrieval System would be \$895,755 (See "Information Storage and Retrieval System-Capital Budget").

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The working group also believes that it will take a minimum of 12 months for an "In-House" Retrieval System to become fully operational. This one year period is calculated from the date upon which the Chief Administrator of the "In-House" System begins work. Obviously, there would be a time lapse between the decision to establish the System and the appointment of Chief Administrator which would have to be added to the 12 month start-up estimate.

These four items: The "Table of Organization;" the "Annual Operating Budget;" the "Capital Budget;" and the "Calendar of Start-Up Events" are the most critical variables in arriving at a decision as to whether an "In-House" System should be established.

Documents presented here are based on extensive investigation of the work group which took the form of various formal and informal reports and work papers. All of these reports and work papers have been collected by the Project Office into a single file. The content of this file is outlined in an attachment titled, "In-House Information Storage and Retrieval System Reports and Work Papers." Any or all items contained in this file are available to General Counsel or their designees for more detailed study.

In August, 1969, General Counsel indicated additional study was required in order to furnish the data necessary to evaluate the question of whether or not an "In-House" Information Storage and Retrieval System should be developed.

In autumn of 1969, the Project Officer of the present Information Storage and Retrieval System outlined the general structure of the additional required study of an "In-House" Information Storage and Retrieval System to Mr. Henry Ramm of R. J. Reynolds Tobacco Company.

Once the general outline of the study was agreed upon, the Project Office requested the help of the various participant companies in the proposed investigation. The following industry loan consultants were recruited and participated in the study now being presented: George Kristeller, Liggett & Myers Tobacco Company; George Stolpe, American Brands, Inc.; Dr. Frank Colby and William Benbow, R. J. Reynolds Tobacco Company; Donald Jennings, Philip Morris, Inc.; and W. T. Hoyt, Council for Tobacco Research-U.S.A.

The actual "In-House" study was initiated by the Project Officer and Mr. Kristeller, who visited 3i and gathered data necessary to establish a basic picture of the current Retrieval System's organization. Data on volumes of production in relation to staffing requirements were developed. At the same time, financial data on the costs of the 3i system were collected and made available to the industry loan consultant working group.

Both the Project Officer and the members of the industry consulting work group will be happy to make themselves available for more detailed reviews of the "In-House" situation. The work group and the Project Officer have both concluded during the course of this study that the costs of an "In-House" System are increased by some ten to twenty percent if New York City is the required site of the operation. Higher rents and salaries are the principal source of the New York City cost premium.

In order to compare the costs of the current 3i operation with the estimated costs of an "In-House" System, Counsel will undoubtedly wish to consult the Calendar 1970 Operating Budget proposed by Covington & Burling in their letter of January 3rd, 1970. The proposed Calendar 1970 costs after deducting the special payments to 3i authorized in August, 1969 are \$700,031.

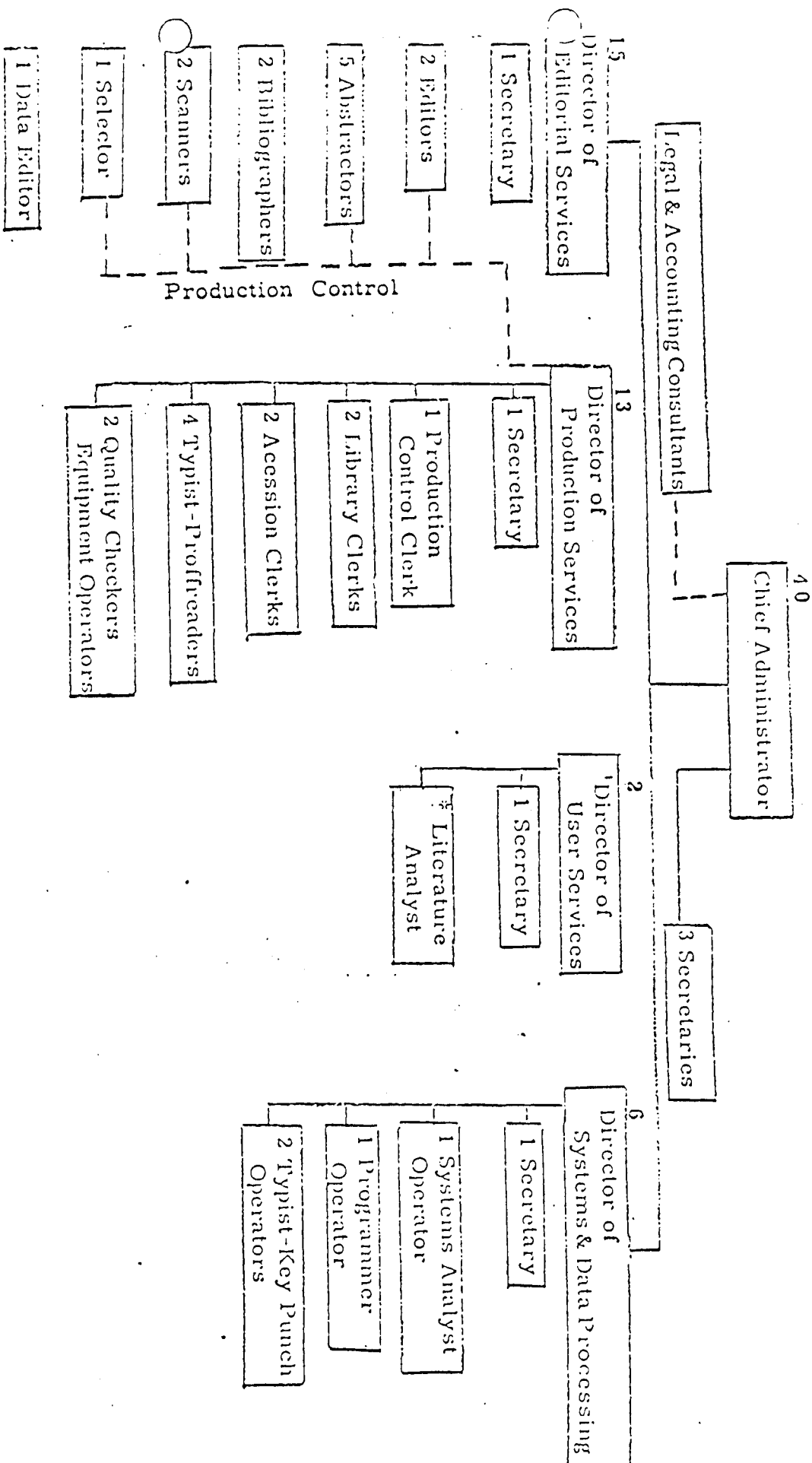
The Project Officer would like to thank all of the companies who made members of their organizations available for this study and would also like to thank the members of the working group.

Simon O'Shea

SOS:mse
Encl:

INFORMATION STORAGE & RETRIEVAL SYSTEM

PROPOSED ORGANIZATION FOR DOCUMENT PROCESSING



*1 Editor to be assigned 1/2 time as User Services Literature Analyst

"In-House" Operation - Information Storage and Retrieval System
ANNUAL OPERATING BUDGET

<u>Type Expense</u>	<u>Budgeted Annual Cost</u>	<u>Footnote Reference</u>
Salaries and payroll taxes, Revised	\$465,000	(1)
Other related payroll expenses, Revised	86,000	(1)
Rental expenses:		
Office space	136,000	(2)
IBM equipment:		
2 Model No. 029 Key punch Units	\$ 1,900	
1 Model No. 082 Sorter	1,000	
1 Model No. 9955 Micro-		
Copier/Reproducer	<u>12,000</u>	14,900
Xerox 2400 machine	12,000	
EDP Operations - Service Bureau	84,000	
Miscellaneous travel, and carefare, taxi, meal expenses, including New York intracity library transportation	20,000	(3)
Library:		
Subscriptions to periodicals, etc.	15,000	15,000 (4)
Stationery and supplies:		
Aperture cards	6,000	
Toner for Xerox 3.2.1 system	4,100	
All other	<u>5,000</u>	15,000
Telephone and telegraph	10,000	(6)
Maintenance and repairs:		
Service contract 3.2.1 machine	3,600	(7)
Other	2,000	6,600

"In-House" Operation - Information Storage and Retrieval System
Annual Operating Budget
Recapitulation of Salaries and Related Expenses

Salaries and Payroll Taxes:

Salaries		\$444,400.00
Taxes:		
FICA	\$14,467.20	
Federal Unemployment Insurance	480.00	
State Unemployment Insurance	3,600.00	
State Disability Insurance	1,800.00	
Total Payroll Taxes		<u>\$ 20,347.20</u>
Total Salaries and Payroll Taxes		<u>\$464,747.20</u>
Total Salaries and Payroll Taxes for Budget		<u>\$465,000.00</u>

Other Related Payroll Expenses:

Workmen's Compensation Insurance		\$ 888.80
.2% of \$444,400 Total Annual Salaries		
Group Life and Health Insurance		\$ 17,776.00
4% of \$444,400 Total Annual Salaries		
Retirement Benefits		\$ 66,660.00
15% of \$444,400 Total Annual Salaries		
Total Other Related Payroll Expenses		<u>\$ 85,324.80</u>
Total Other Related Payroll Expenses for Budget		<u>\$ 86,000.00</u>

"In-House" Operation-Information Storage and Retrieval System
ANNUAL OPERATING BUDGET

<u>Personnel</u>	<u>Individual Annual Salary</u>	<u>SALARIES</u> <u>Number Required of each Classifica- tion</u>	<u>Total Annual Salary</u>
<u>Executive:</u>			
Chief Administrator	\$30,000	1	\$30,000
Director-			
Editorial Services	22,000*	1	22,000
Production Services	14,000	1	14,000
User Services	16,000	1	16,000
Systems and Data Processing	22,000	1	22,000
Total Executive		<u>5</u>	<u>104,000</u>
<u>Professional:</u>			
Editor	18,000	2	36,000
Abstractor	14,000	5	70,000
Scanner	12,000	2	24,000
Selector	12,000	1	12,000
Systems Analyst	16,000	1	16,000
Programmer Operator	12,000	1	12,000
Total Professional		<u>12</u>	<u>170,000</u>
<u>Other:</u>			
Data Editor	9,000	1	9,000
Bibliographer:	8,000	2	16,000
Library Clerk	6,700	2	13,400
Accession Clerk	6,700	2	13,400
Proofreader and Typist	7,300	4	29,200
Xerox Checker/Operator	7,300	2	14,600
Production Control Clk	7,800	1	7,800
EDP Key punch Typist	7,000	2	14,000
Secretary	7,800	5	39,000
Secretary Assistant	7,000	2	14,000
Total Other		<u>23</u>	<u>170,400</u>
Grand Total		<u>40</u>	<u>\$274,400</u>

"In-House" Operation-Information Storage and Retrieval System
ANNUAL OPERATING BUDGET

PAYROLL TAXES
 Unemployment Insurance

<u>Personnel</u>	<u>FICA 4.8% to \$7,800 each</u>	<u>Federal .4% to \$3,000 each</u>	<u>State 3% to \$3,000 each</u>	<u>State Disability * 1.50% \$3,000 each</u>
<u>Executive:</u>				
Chief Administrator	\$ 374.40			
Director				
Editorial Services	374.40			
Production Services	374.40			
User Services	374.40			
Systems and Data Processing	374.40			
Total Executive	1,872.00	\$ 60.00	\$ 450.00	\$ 225.00
<u>Professional:</u>				
Editor	742.20			
Abstractor	1,872.00			
Scanner	742.20			
Selector	374.40			
Systems Analyst	374.40			
Programmer Operator	374.40			
Total Professional	4,492.00	144.00	1,080.00	540.00
<u>Other:</u>				
Data Editor	374.40			
Bibliographer	742.20			
Library Clerk	643.20			
Accession Clerk	643.20			
Proofreader and Typist	1,401.60			
Xerox Checker/Operator	700.80			
Production Control Clk	374.40			
EDP Key punch Typist	672.00			
Secretary	1,872.00			
Secretary Assistant	672.00			
Total Other	8,102.40	270.00	2,070.00	1,035.00
Grand Total	\$14,467.20	\$480.00	\$3,600.00	\$1,800.00

Source: Annual salary figures estimated by Working Group during
 12/8 - 12/9 meeting, approved by S. O'Shea.
 Items above with asterisk (*) estimated by F. Colby and
 approved by S. O'Shea.
 All other items based on CTR experience.

"In-House" Operation-Information Storage and Retrieval System

CAPITAL BUDGET

<u>Description</u>	<u>Estimated Budgeted Cost</u>	<u>Footnote Reference</u>
<u>Furniture and Equipment:</u>		
Desks, Chairs, Tables, Bookcases, Files and other Miscellaneous Furniture Items	\$ 32,000	(1)
4 Aperture Card Files	1,400	(2)
12 Document Files	4,800	(3)
Data Processing Storage Area Equipment	1,900	(4)
27 IBM Electric Typewriters	15,000	(5)
Itek Business Products Equipment:		
1-PD 3536 Camera	\$10,000	
1-No. 335 Transflo Processor and Lawler Regulating Valve	4,000	
1 Viewer Mounter No. 52150	<u>4,600</u>	18,600 (6)
1 -Xerox 3.2.1. Machine	36,200	(7)
1 -Microfilm Viewer	<u>1,500</u>	
Total Furniture and Equipment	<u>111,400</u>	
<u>Other Start-Up Cost:</u>		
Recruitment Fees and Employee Relocation and Moving Expenses	70,000	(9)
Leasehold Improvements	8,000	(10)
Telephone and TWX Installation	3,000	(11)
Moving Files-3i, Philadelphia to New York	3,000	(8)
Library Reference Books	<u>5,000</u>	(12)
Total Other Start-Up Costs	<u>89,000</u>	
Contingency Fund	<u>20,000</u>	
Total Estimated Capital Budget	<u>220,400</u>	

Footnotes:

- (1) Quotation from Macey-Fowler, Inc. N.Y.C.
details, prices, etc.
- (2) Estimated by S. O'Shea-TAB Products Co. as Supplier
- (3) Estimated by S. O'Shea-Anticipated purchase from 3i
- (4) Estimate supplied by W. S. Benbow
- (5) Memorandum from the American Tobacco Co's Corp. Purchasing
- (6) Based on Itek Business Products' January 29, 1970, quotation
to S. O'Shea
- (7) Estimate included in S. O'Shea's December 23, 1969, file memorandum
- (8) Estimate furnished by S. O'Shea
- (9) Based on file memorandum of March 17, 1970
- (10) Estimate based on CTR experience, giving consideration to possible
special architectural, acoustical, air conditioning, etc., require-
ments
- (11) Estimate based on CTR experience
- (12) Estimate furnished by F. G. Colby

START UP CALENDAR BY MONTH

EVENT	0	1	2	3	4	5	6	7	8	9	10	11	12
Appoint Chief Administrator	⊗												
Hire Systems Dir. & Board													
Hire Director Editorial													
Hire Director Production													
Hire Director User Services													
Hire Remaining Staff													
Be Abstracting													
Start Computer Availability (Part Time) (Regular)													
Select & Occupy Office Space													
Purchase Equipment Furniture, Supplies													

IN-HOUSE INFORMATION STORAGE AND RETRIEVAL SYSTEM
REPORTS AND WORK PAPERS

A. PRODUCTION

Production Flow Chart
Production Flow Chart - First Draft

B. ORGANIZATION

Organization Chart
Functional Description by Department
Job Descriptions
Staffing/Productivity Study
Staffing Level and Salary Estimates
Chief Administrator - Job Qualifications
Technical Staff - Job Qualifications
Staff Training & Assignments

C. START-UP CALENDAR

D. BUDGET

Annual Operating Budget
Capital Budget

E. PHYSICAL

Office Layout
Office Furniture & Equipment

F. EDP

EDP System
EDP Staff - Job Qualifications
EDP Salary Estimates
Contracted EDP Services - Specifications & Agreement
EDP Personnel Salary Study
EDP Equipment

G. APERTURE CARDS

Aperture Card Production - Equipment & Estimates
Contracted Aperture Card Production
Xerox 3.2.1
Microfilm Production Equipment

H. LIBRARY

Journal Subscriptions
Library Facilities - New York City

I. MISCELLANEOUS

3i Personnel Participation (Time Charges)
3i Salary Rates
3i Budget
Publications Control
Document Envelope Preparation